





#### UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

# MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE RAILROAD RETIREMENT BOARD

This statement has been prepared pursuant to the Reports Consolidation Act of 2000 and the requirements of Office of Management and Budget Circular A-136 which require that the Inspectors General identify what they consider to be the most serious management challenges facing the agency and briefly assess the agency's progress in addressing those challenges.

Congress created the railroad retirement system nearly 75 years ago. The Railroad Retirement Act (RRA) created a nationwide retirement system for railroad workers to provide income security in old age. Over the years the program has been expanded to include disabled workers, elderly spouses and widow(er)s, children, and parents of young children. In 1938, Congress added a nationwide system of unemployment insurance and later a program of sickness insurance benefits. During fiscal year (FY) 2008, the Railroad Retirement Board (RRB) paid about \$10.1 billion for retirement and survivor benefits to about 598,000 beneficiaries and about \$80 million in net unemployment and sickness insurance benefits to some 30,000 claimants.

Our identification of challenges facing RRB management is based on recent audits, evaluations and our general knowledge of the RRB's programs and operations. The Office of Inspector General (OIG) has identified the following areas of responsibility as presenting serious challenges facing the agency.

- Providing oversight of invested program assets;
- Preventing fraud and abuse in the occupational disability program;
- Ensuring the integrity of the Railroad Medicare program;
- Managing for the security and privacy of information;
- Supporting accurate, reliable financial accounting and reporting; and
- Preventing and detecting improper payments.

#### Providing Oversight of Invested Assets of the Railroad Retirement Act Program

During FY 2008 the OIG raised concerns about the effectiveness of oversight for the National Railroad Retirement Investment Trust (NRRIT), a multi-billion dollar investment enterprise. The legislation that created the trust precludes agency management and its Inspector General from exercising their traditional roles as stewards of program assets and independent watchdog, respectively.

<sup>1</sup> On March 31, 2008, the OIG released a "Statement of Concern" discussing this issue in detail.

### Inspector General Statement Management and Performance Challenges

December 2001 amendments to the Railroad Retirement Act (RRA) created the NRRIT, independent of the RRB, to manage and invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans.<sup>2</sup>

Although the RRB maintains a reserve to pay benefits as they come due, more than 80% of the agency's total assets, \$25.3 billion, were entrusted to the NRRIT at the end of FY 2008.

Although the NRRIT is an independent non-governmental entity, the RRB has enforcement authority with respect to compliance with the RRA; however, that authority is not supported by an adequate oversight program. The RRA requires only an annual audit of the Trust's financial statements by public accountants but does not require, or otherwise provide for, audits of compliance with laws and regulations or evaluations of management performance which would provide RRB management with the information it needs to determine whether any enforcement action may be necessary. An annual financial statement audit is not adequate to support the RRB's enforcement responsibility because such audits are not intended to provide information about all areas of risk that could indicate the need for enforcement action.

The specific requirement for an annual financial audit and lack of provision for any other type of audit or oversight activity has been understood by the RRB's OIG to exclude the Trust from the OIG's audit and investigative responsibilities. No other organization, public or private, has assumed what would otherwise be the OIG's oversight role.

## Preventing Fraud and Abuse in the Occupational Disability Program

The occupational disability annuity is a unique benefit in that it is a Federal program managed by a government agency serving workers in a single industry. The threshold for qualification, which is lower than the standard for determining total and permanent disability under the Social Security Act, makes the occupational disability program susceptible to fraud and abuse.

Unlike workers insured under the Social Security Act, the workers covered by the RRA may qualify for an annuity if they are disabled from work in their regular railroad occupation. The occupational disability provision of the RRA provides an annuity to workers in the railroad industry who have at least 20 years of service and are medically unable to perform his or her regular railroad occupation. These benefits remain payable as long as the disabled worker is unable to return to their railroad occupation even though they may be able to perform other types of work.

The national spotlight was turned on the RRB's occupational disability program in September 2008 when the New York Times reported that nearly every career employee of the Long Island Rail Road (LIRR) applies for and receives disability benefits soon after retirement.<sup>3</sup> In September 2009 the Government Accountability Office (GAO)

<sup>&</sup>lt;sup>2</sup> Public Law 107-90, December 21, 2001, codified in 45 U.S.C. § 231n(j)

<sup>&</sup>lt;sup>3</sup> Bogdanich, Walt. "A Disability Epidemic Among a Railroad's Retirees." <u>New York Times</u>, 20 Sept.2008, <a href="http://www.nytimes.com/2008/09/21/nyregion/21lirr.html?ref=nyregion">http://www.nytimes.com/2008/09/21/nyregion/21lirr.html?ref=nyregion></a>

reported that in FY 2007 "LIRR workers applied for occupational disability benefits at a rate 12 times higher than workers from the other commuter railroads" and that "the RRB approved the claims of all workers at the same rate – nearly 100%."

In October 2008, the RRB adopted Board Order 08-63 which described a five-point plan for greater oversight of the occupational disability claims of LIRR employees. GAO reported that the RRB had approved nearly all of the occupational disability claims decided under the plan as of April 30, 2009. The agency has also created a new position to provide quality control oversight to the occupational disability program nationwide, not just the LIRR.

The entitlement to occupational disabilities is established by federal statute. That statute also requires the RRB to establish occupational disability standards with the cooperation of railroad labor and management. As a result, any successful reform initiative will require negotiation by both rail labor and rail management and possibly legislative change.

## Ensuring the Integrity of the Railroad Medicare Program

In September 2009, the RRB OIG reported that more could be done to identify fraud and abuse in the Railroad Medicare program. The U.S. Department of Health and Human Services has stated that "[n]ot only is waste, fraud and abuse taking critical resources out of our health care system, it contributes to the rising cost of health care for all Americans and harms the short-term and long-term solvency of these essential programs."

Qualified railroad retirement beneficiaries are covered under the Medicare program the same as persons covered under the social security system. RRB contracts with a separate carrier to process the Medicare Part B claims of its beneficiaries. During FY 2008 Railroad Medicare paid \$844 million with an estimated exposure to improper payments of about \$31 million based on national averages. By comparison, Railroad Medicare attributed only \$6.3 million in savings to its Medicare Integrity Program of which 89% was attributable to coordination of benefits with other healthcare plans, 10% was attributed to medical review of claims and only 1%, or about \$40,000, resulted from proactive benefit integrity activities to identify fraud and abuse.

Our audit disclosed that the RRB's separate carrier's Railroad Medicare benefit integrity unit had very limited resources with which to perform proactive fraud investigations and data analysis. We recommended that the carrier work with the RRB and the Centers for Medicare and Medicaid Services to obtain the budget and staff resources needed to conduct proactive fraud investigation and data analysis. Action on that recommendation is pending.

<sup>&</sup>lt;sup>4</sup> United States Government Accountability Office, <u>Review of Commuter Railroad Occupational Disability</u> Claims Reveals Potential Program Vulnerabilities. GAO-09-821R (Washington, D.C.: Sept. 9, 2009).

# Managing for the Security and Privacy of Information

The RRB relies extensively on information technology to fulfill its benefit payment mission. Computer processing is critical to agency operations. In addition, to fulfill its mission, the RRB must collect and retain sensitive personally identifiable information about its beneficiaries and employees which needs to be safeguarded from unauthorized disclosure. Information technology security is a critical part of an effective privacy program.

The RRB is still in the process of developing an information security management program that fully complies with the requirements of the Federal Information Security Management Act (FISMA) of 2002, the Privacy Act of 1974, and the related implementing guidance.

Although the RRB is making progress, ensuring the security and privacy of agency-held information is a significant undertaking that can be expected to present a challenge during the near future. As the RRB moves toward FISMA compliance, it will also strengthen its privacy program. Corrective action to strengthen the security and privacy of information remains pending on many prior OIG audit recommendations.

# Financial Accounting and Reporting

In connection with its audit of the RRB's FY 2008 financial statements, the OIG reported a material weakness in internal control over financial reporting. 5,6 We observed that financial accounting controls could not be relied upon to ensure that material errors would be detected to prevent misstatements in financial reporting and that controls over financial statement preparation were not fully effective.

During FY 2009, financial managers expressed their commitment to strengthening controls over financial accounting and reporting by updating existing procedures and controls as well as implementing new ones. Although progress has been made, improvements initiated during the second half of the fiscal year could not be considered fully effective during FY 2009 and some additional work remains to be done in this area.

## Preventing and Detecting Improper Payments

The Improper Payments Information Act of 2002 (IPIA) (Pub. L. No. 107-300) established requirements for measuring and reporting improper payments in Federal programs. Appendix C, Part I. to OMB Circular A-123, Management's Responsibility for Internal Controls provides guidance to agencies implementing IPIA requirements.

<sup>&</sup>lt;sup>5</sup> Railroad Retirement Board Office of Inspector General, "Report on the Railroad Retirement Board's FY 2008 Financial Statements", Report #09-01, November 17, 2008.

<sup>&</sup>lt;sup>6</sup> Railroad Retirement Board Office of Inspector General, FY 2008 Financial Statement Audit Letter to Management, Report #09-02, March 24, 2009.

Pursuant to the IPIA, the RRB reports annually on agency progress in reducing improper payments and has reported a reduction in the rate of RRA improper payments as compared with outlays, dropping from 1.64% in FY 2004 to .80% in FY 2008 and a reduction in RUIA improper payments from 2.11% in FY 2004 to 2.00% in FY 2007 (the last year for which RUIA data is being reported). During FY 2008, the RRB recognized nearly \$53 million in new overpayments in its retirement, survivor and disability benefit operations of which nearly 80% were associated with routine events: the death of an annuitant or administrative coordination of benefits with the Social Security Administration.

Monitoring and reducing improper payments is inherently challenging in a business environment that pays benefits of such magnitude under complex entitlement and computational regulations. Preventing and detecting fraud in entitlement programs such as the RRA and RUIA, adds an additional layer of complexity.

Original signed by:	

Martin J. Dickman Inspector General

October 16, 2009

# **Management's Comments**

These are Management's comments on the Management and Performance Challenges identified by the Railroad Retirement Board (RRB) Inspector General.

#### Providing Oversight of Invested Assets of the Railroad Retirement Act Program

The Inspector General lists as a Management Challenge what he perceives to be a lack of oversight of the investment of railroad retirement trust funds. He correctly notes that the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) created a separate entity, the National Railroad Retirement Investment Trust (NRRIT), to handle investment of railroad retirement assets.

The RRSIA provides that the NRRIT is to be a separate entity from the RRB and is not a Federal agency or instrumentality. The legislation requires the NRRIT to engage a qualified independent public accountant to conduct an annual audit of the financial statements of the Trust. The audit report of the independent auditor is a part of the Annual Management Report required by the legislation to be submitted to the Congress, with copies provided to the President, the RRB, and the Office of Management and Budget (OMB). In addition, the NRRIT, RRB, OMB and the Department of the Treasury have in place a Memorandum of Understanding that calls for the reporting of certain information concerning the NRRIT's activities on a monthly basis.

The RRB exercises its oversight responsibilities with respect to the NRRIT by thorough review by agency staff of the various reports provided by the NRRIT pursuant to the statutory requirements and the multi-agency Memorandum of Understanding. The RRB's General Counsel meets with the NRRIT's Chief Executive Officer/Chief Investment Officer and the Counsel to the NRRIT numerous times each year to discuss NRRIT activities. Financial officials of the RRB have frequent contact with the NRRIT. And, the three Members of the Railroad Retirement Board meet twice a year with the Trustees and NRRIT officials concerning NRRIT activities and investment performance of the NRRIT portfolio.

It is the position of the RRB that the agency is fulfilling its oversight responsibilities assigned by the Congress under the RRSIA.

#### Preventing Fraud and Abuse in the Occupational Disability Program

The Inspector General states that the threshold for entitlement to an occupational disability annuity under the Railroad Retirement Act, which he correctly points out is less strenuous than the standard under the Social Security Act for total and permanent disability, makes the program susceptible to fraud and abuse.

The Railroad Retirement Act provides two types of disability benefits for railroad employees. The Act provides for payment of a benefit to an employee who is totally and permanently disabled from all regular employment and the Act provides for the payment of a benefit to an employee who has at least 20 years of railroad service or who has attained the age of 60 and who is unable to perform his or her regular railroad occupation. The Act provides that in determining entitlement to occupational disability, the RRB must look to standards adopted with the cooperation of railroad employers and railroad employees. The Board Members adopted standards, along with supporting regulations, with the cooperation of railroad employers and

railroad employees, in 1998. We currently use those standards and regulations in adjudicating each individual application for an occupational disability benefit. We also require specific medical evidence to support our decisions in each case.

While the standard for occupational disability is lower than that for total and permanent disability, approximately 70 percent of the employees awarded an occupational disability annuity are also awarded a period of disability, which means that they meet the more strenuous total and permanent disability standard under the Social Security Act. In fiscal year 2008, the RRB awarded annuities to approximately 31,500 beneficiaries. Of this total, approximately 2,300 were occupational disability annuities. However, only about 690 of these beneficiaries would not have met the more stringent total and permanent disability standard.

As the Inspector General notes, the Board adopted Board Order 08-63 last year to address a potential issue with the number of applications for occupational disability annuity filed by former employees of the Long Island Rail Road (LIRR). The Board Order calls for greater scrutiny of applications filed by LIRR employees. The Order calls for additional independent medical examinations of LIRR applicants to be conducted by independent physicians selected and paid by the RRB. In addition, the Order calls for post-award review of cases to determine whether beneficiaries continue to meet the requirements for entitlement. Through September 30, 2009, 117 applications were decided under the Board Order. In each of these cases, the applicants were sent for independent medical examinations and the applications were handled by a separate group of claims examiners. The additional scrutiny applied to these cases showed that nearly all of those who applied for benefits met the standards adopted pursuant to the statute. Moreover, 258 LIRR annuitants currently receiving an occupational disability annuity were sent for 422 medical tests. Our review of 200 of these annuitants and their medical evidence has been completed, and none of the annuitants were determined not to be disabled.

As the Inspector General notes, the RRB has also created a new position to handle quality review of the occupational disability program data. It will be the responsibility of this employee to review the program data and identify any anomalies that might require additional scrutiny similar to what was done in Board Order 08-63. The Board will take additional corrective action as necessary to ensure that the agency is meeting its mission to pay benefits to the right people and in the right amount.

#### Ensuring the Integrity of the Railroad Medicare Program

We agree with the Inspector General that the agency's Medicare carrier has had limited resources to devote to proactive fraud investigations and data analysis. Since funding for that program is provided by the Centers for Medicare & Medicaid Services (CMS), we have concurred with the Inspector General's recommendation for the RRB to work together with the carrier to request additional funding for the Medicare Integrity Program in future years. The carrier's fiscal year 2010 budget request to CMS did include a request for an additional \$50,000 to initiate increasing its benefit integrity activities in keeping with this recommendation.

#### Managing for the Security and Privacy of Information

The RRB takes its responsibility to manage the security and privacy of information very seriously. During fiscal year 2009, its Bureau of Information Services (BIS) addressed recommendations associated with high priority significant deficiencies. BIS completed work on 16 deficiencies that had been reported to OMB and on 7 other significant deficiencies. The

agency's Chief Information Officer has initiated a plan to prioritize the remaining open recommendations, with the intent to focus on the most significant ones.

# Financial Accounting and Reporting

During fiscal year 2009, the agency's accounting staff have addressed the reported material weakness related to internal controls over financial reporting by acting on 12 financial statement-related audit recommendations. This includes such recommendations presented in the OIG's Letter to Management, Report Number 09-02, dated March 24, 2009. Most of the implementing actions taken are being evaluated by the OIG auditors during their audit of the fiscal year 2009 financial statements.

# Preventing and Detecting Improper Payments

We agree that monitoring and reducing improper payment rates is challenging. The agency has made concerted efforts to pay out only those benefits due and all the benefits due. As a result, we have increased efforts to recognize and prevent overpayments caused by excess earnings after retirement, and focused efforts on paying out additional benefits due as a result of changes to service and compensation records. The results of those efforts are reflected in reductions in rates of improper payments since our earlier reports. We will continue to focus on reducing improper payments in the coming year.

# Improper Payments Information Act (IPIA) Reporting Details

I. Briefly describe the risk assessment(s), performed subsequent to completing the full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified through risk assessments. Be sure to include the programs previously identified in the former Section 57 of Circular A-11 (now located in Circular A-123, Appendix C). Please highlight any changes to its risk assessment or its risk assessment results that occurred since its last report.

The RRB administers two benefit payment programs: Retirement and Survivor Benefits (referred to as RRA) and Railroad Unemployment Insurance Benefits (referred to as RUIA). Both were designated as "high risk" under the Former Section 57 of Circular A-11. Therefore, in previous reports, we have been measuring and reporting the level of improper payments for both programs in our Performance and Accountability Reports.

In January 2009, the Office of Management and Budget granted relief from reporting the RUIA program improper payments due to the consistently low level of error over several years. Barring any unexpected changes to the program or the rate, the next RUIA program improper payments report will be included in the FY 2012 Performance and Accountability Report.

The agency used the process described below to calculate the amount of RRA improper payments made in fiscal year 2008.

#### Results of Fiscal Year 2008 Improper Payment Review

Program	Improper Payment Amt. >\$10 million	Improper Payment Rate >2.5%	Action Plan or Targets Needed?
RRA	Yes	No	No

II. Briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified. Please highlight any changes to its statistical sampling process that have occurred since the last report in this section.

The agency has an established methodology for identifying improper payments in the RRA benefit payment program. It is based on determining both the known overpayments and underpayments, which have since been recovered or paid out, and estimating those which result from adjudicative error, but have not been identified or corrected. It also uses information from quality assurance reviews. These reviews employ statistical sampling to study railroad retirement awards. Also included are projections of improper payments from audits and special studies. This year, we have modified our approach to include estimates of manual work based on pending referrals as of September 30, 2008. Using this revised approach, we are now reporting estimates of a backlog of referrals resulting from changes in service and compensation records which could not be handled through the automated system.

#### III. Describe the Corrective Action Plans for:

a. Reducing the estimated rate and amount of improper payments for *each* type of root cause of error. (e.g. Administrative and Documentation errors, Authentication and Medical Necessity errors, and Verification and Local Administration errors). This discussion must include the corrective action(s) most likely to significantly reduce future improper payments due to each type of root cause of error. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones.

The root causes of error in the RRA program are summarized according to OMB's root causes in the table below.

Root Cause of Error	Estimated Rate	Estimated Amount
Administrative and Documentation	18.7%	\$14,758,116
Authentication and Medical Necessity	4.4%	3,478,363
Verification and Local Administration	76.9%	60,747,552
Total	100%	\$78,984,031

#### **Corrective Actions:**

**Administrative and Documentation:** These errors result from improper handling by the agency's automated systems or its personnel. Planned corrective actions include:

- development of an enhanced automated retirement payment system to replace the current legacy system that processes Retirement Applications, planned for October 2010,
- development of an interface between systems to ensure accurate use of military service in the calculation of benefits, and
- creation of a Medicare premium collection database which is targeted for July 2010.

**Authentication and Medical Necessity:** Very few of the agency's improper payments fall into this category. There are no planned corrective/preventative actions.

**Verification and Local Administration:** These errors result from changes coming from outside the agency, particularly changes in the beneficiary's status which affects entitlement or eligibility either temporarily or permanently, and changes in service and compensation typically due to work. Our agency's challenge is to obtain the information and process it as quickly as possible.

The initiatives to minimize this specific group of improper payments are:

- We implemented a system (called RESCUE) which evaluates employer-reported changes to employee service and compensation records and adjusts annuities, if needed.
  - The initial implementation of this process in fiscal year 2006 handled the evaluation of record changes posted in January 2006. In fiscal year 2007, the system evaluated adjustments posted prior to January 2006. This initiative identified specific RRA improper underpayments and paid out additional benefits due. Therefore, this resolved many of the improper payments that have been included in previous years' estimates. However, there is a significant manual workload that resulted from this

- initiative. As of September 30, 2008, there were 15,728 of these referrals (12,881 for active cases and 2,847 for terminated cases) on hand. These backlogged cases are handled whenever any other work needs to be done on the case. RESCUE referrals are also processed using overtime funds as the RRB budget permits.
- This system is being run several times a year so that annuity adjustments are made timely and properly for those that can be handled automatically. Those that cannot be handled automatically have resulted in significant manual workloads. These referrals are considered part of the current workload. As of September 30, 2008, there were 16.652.
- The agency uses overtime funding in the short term, and is hiring and training new claims examiner staff who will eventually be able to handle these complex workloads. This is a long-term process which will take several years before the new hires can make an impact on these workloads.
- A special manual project to resolve a backlog of unverified Social Security Numbers (SSN)
  of railroad employees was completed in fiscal year 2009. This ensures that the correct
  earnings are recorded to the correct SSN which serves as a basis of the calculation of
  benefits.
- A manual project is underway to resolve a backlog of inconsistencies related to the SSN on records of auxiliary beneficiaries. (The spouse cases are completed; corrections to children's and widow(er)'s records are being handled.) This allows the agency to match to the SSA earnings database to identify earnings and to match to files containing death information.
- A multiphase process is underway which allows users to enter any annuitant's earnings information online, and store the information in a database. This system (called SPEED) allows the RRB to adjust annuity payments for earnings on a timely basis, which minimizes any underpayments or overpayments that may result from changes in earnings. Phase Four was completed in fiscal year 2009; additional phases are being developed to automatically record and adjust the annuity as a result of changes in working status. In the meantime, improper payments may result due to the necessity to handle these cases manually.
- **b. Instructions for grant-making agencies.** Not applicable to RRB.
- IV. Program improper payment reporting.
- a. The table below is required for each reporting agency.

# Improper Payment (IP) Reduction Outlook FY 2007 – FY 2012 (\$ in millions)

Program	FY 07 \$ Outlays (actual)	FY 07 IP %	FY 07 IP \$	FY 08 \$ Outlays (actual)	FY 08 IP %	FY 08 IP \$	FY 09 \$ Outlays (estimated)	FY 09 IP %	FY 09 IP \$
RRA	\$9,812.5	0.95	\$92.7	\$10,049.9	0.79	\$79.0	\$10,537.3	0.79	\$82.8

Program	FY 10 \$ Outlays (estimated)	FY 10 IP %	FY 10 IP \$	FY 11 \$ Outlays (estimated)	FY 11 IP %	FY 11 IP \$	FY 12 \$ Outlays (estimated)	FY12 IP %	FY 12 IP \$
RRA	\$10,784.8	0.79	\$84.8	\$10,925.7	0.79	85.9	\$11,112.9	0.79	87.3

**Note:** The absolute value of the over and under-paid dollars and the rates is shown—the figures are not netted.

At the time this report was prepared, the latest actual data available was for fiscal year 2008 (shown in **bold** in the chart). The estimates for fiscal year 2009 through 2012 are based on the December 2008 OMB budget review estimates.

b. Discuss your agency's recovery of improper payments, if applicable. Include in your discussion the dollar amount of cumulative recoveries collected beginning with FY 2004.

Despite all the agency's best efforts to prevent improper payments, some will always occur, due to lack of timely information, etc. In overpayment situations, the agency is diligent in its recovery efforts. The RRB's account receivable balance for the RRA program at the end of fiscal year 2008 was \$44,874,374. This balance includes debts classified as currently not collectible. We estimate that approximately 77.7 percent of these receivables will be collected and that the remaining 22.3 percent will eventually be closed as uncollectible. The RRB's collection program is in full compliance with the Debt Collection Improvement Act of 1996. For the period of fiscal years 2004 through 2008, the RRB recovered \$128,219,444 in RRA program receivables. Recoveries are made through offset of future benefits, reclamation from the financial institution of benefits erroneously paid after the death of a beneficiary, and direct payment from debtors. Fraudulent payments are referred to the Office of Inspector General for prosecution through the Department of Justice. Delinquent accounts are referred to the Department of the Treasury for cross-servicing and offset of Federal payments.

#### V. Recovery auditing reporting.

This does not apply to RRB's benefit programs.

VI. Describe the steps the agency has taken and plans to take (including time line) to ensure that agency managers (including the agency head) are held accountable for reducing and recovering improper payments.

Paying benefits accurately and timely, and providing prudent stewardship over agency trust funds are the agency's two strategic goals. Agency managers have links to those goals in their performance plans.

- VII. Agency information systems and other infrastructure.
  - a. Describe whether the agency has the information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

In order to prevent and reduce the already low levels of improper payments the Railroad Retirement Act program generates, information systems need to be developed or modified as described in the project initiatives discussed above.

b. If the agency does not have such systems and infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to obtain the necessary information systems and infrastructure.

The agency requested fiscal year 2010 funding for System Modernization, which will contribute to achieving the agency's target architecture and to meeting its performance goals, including accuracy of benefit payments and stewardship of the trust funds. The modernization process will help reduce redundancy, improve accuracy and speed, and transition our computing environment to more modern technologies and methodologies.

VIII. Describe any statutory or regulatory barriers which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

None.

IX. Additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPIA implementation.

The RRB has made concerted efforts to reduce improper payments over the years. Payment accuracy rates are at consistently high levels and the return on investment for program integrity activities has been high as well. Both have been set as annual performance goals and reported each year since the Government Performance and Results Act has been in effect. The agency monitors progress on implementing recommendations from the quality assurance process, and is vigilant about pursuing OIG recommendations which impact the quality and timeliness of payments. The agency has also worked closely with the OIG in referring potential fraud cases for its investigation and prosecution. However, continued loss of experienced staff and the long lead time to hire and train staff to handle the complicated manual work generated as a result of systems limitations presents an ongoing challenge to making further significant reductions in the levels of improper RRA payments. The agency hopes to be able to maintain adequate staffing so that it can continue this important effort.

# **Summaries of Financial Statement Audit and Management Assurances**

# Summary of Financial Statement Audit

Audit Opinion	Unqualified					
Restatement	No					
Material Weaknesses		Beginning Balance	New	Resolved	Consolidated	Ending Balance
Information Technology Security		1				1
Financial Reporting		1				1
Non-Integrated Subsystems			1			1
Total Material Weaknesses		2				3

# Summary of Management Assurances

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Qualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Technology Security	1					1
Financial Reporting	1					1
Non-Integrated Subsystems		1				1
Total Material Weaknesses	2					3

Conformance with Financial Management System Requirements (FMFIA § 4)				
Statement of Assurance Systems conform				